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**PRELIMINARY DRAFT**  
**No. 3198**

**PREPARED BY**  
**LEGISLATIVE SERVICES AGENCY**  
**2006 GENERAL ASSEMBLY**

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**DIGEST**

**Citations Affected:** IC 12-15.

**Synopsis:** Life insurance and Medicaid. Allows the state to use federal or state Medicaid funds to pay life insurance premiums and expenses for a Medicaid applicant or recipient who has irrevocably named the state as the beneficiary of a life insurance policy or assigned a life insurance policy to the state. Provides that the value of a life insurance policy owned by an applicant or recipient may not be considered in determining Medicaid eligibility if the applicant or recipient has irrevocably named the state as the beneficiary or assigned the life insurance policy to the state.

**Effective:** July 1, 2006.



A BILL FOR AN ACT to amend the Indiana Code concerning human services.

*Be it enacted by the General Assembly of the State of Indiana:*

SECTION 1. IC 12-15-1-20 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 20. To the extent allowed by federal law, the office may use federal or state funds under the Medicaid program to pay premiums and other expenses related to a life insurance policy that is owned by an applicant or a recipient who has:**

- (1) made an irrevocable election to name the state as the beneficiary of the life insurance policy; or**
- (2) assigned the life insurance policy to the state.**

SECTION 2. IC 12-15-2-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 17. (a)** Except as provided in subsections (b) and (d), if an applicant for or a recipient of Medicaid:

- (1) establishes one (1) irrevocable trust that has a value of not more than ten thousand dollars (\$10,000), exclusive of interest, and is established for the sole purpose of providing money for the burial of the applicant or recipient;
  - (2) enters into an irrevocable prepaid funeral agreement having a value of not more than ten thousand dollars (\$10,000); or
  - (3) owns a life insurance policy with a face value of not more than ten thousand dollars (\$10,000) and with respect to which provision is made to pay not more than ten thousand dollars (\$10,000) toward the applicant's or recipient's funeral expenses;
- the value of the trust, prepaid funeral agreement, or life insurance policy may not be considered as a resource in determining the applicant's or recipient's eligibility for Medicaid.

(b) Subject to subsection (d), if an applicant for or a recipient of Medicaid establishes an irrevocable trust or escrow under IC 30-2-13, the entire value of the trust or escrow may not be considered as a resource in determining the applicant's or recipient's eligibility for Medicaid.



(c) **Except as provided under IC 12-15-3-7**, if an applicant for or a recipient of Medicaid owns resources described in subsection (a) and the total value of those resources is more than ten thousand dollars (\$10,000), the value of those resources that is more than ten thousand dollars (\$10,000) may be considered as a resource in determining the applicant's or recipient's eligibility for Medicaid.

(d) In order for a trust, an escrow, a life insurance policy, or a prepaid funeral agreement to be exempt as a resource in determining an applicant's or a recipient's eligibility for Medicaid under this section, the applicant or recipient must designate the office or the applicant's or recipient's estate to receive any remaining amounts after delivery of all services and merchandise under the contract as reimbursement for Medicaid assistance provided to the applicant or recipient after fifty-five (55) years of age. The office may receive funds under this subsection only to the extent permitted by 42 U.S.C. 1396p. The computation of remaining amounts shall be made as of the date of delivery of services and merchandise under the contract and must be the excess, if any, derived from:

- (1) growth in principal;
- (2) accumulation and reinvestment of dividends;
- (3) accumulation and reinvestment of interest; and
- (4) accumulation and reinvestment of distributions;

on the applicant's or recipient's trust, escrow, life insurance policy, or prepaid funeral agreement over and above the seller's current retail price of all services, merchandise, and cash advance items set forth in the applicant's or recipient's contract.

SECTION 3. IC 12-15-3-1, AS AMENDED BY P.L.246-2005, SECTION 104, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. (a) Except as provided in subsections (b) and (c) **and section 7 of this chapter**, an applicant for or recipient of Medicaid is ineligible for assistance if the total cash value of money, stock, bonds, and life insurance owned by:

- (1) the applicant or recipient is more than one thousand five hundred dollars (\$1,500) for assistance to the aged, blind, or disabled; or
- (2) the applicant or recipient and the applicant's or recipient's spouse is more than two thousand two hundred fifty dollars (\$2,250) for medical assistance to the aged, blind, or disabled.

(b) In the case of an applicant who is an eligible individual, a Holocaust victim's settlement payment received by the applicant or the applicant's spouse may not be considered when calculating the total cash value of money, stock, bonds, and life insurance owned by the applicant or the applicant's spouse.

(c) In the case of an individual who:

- (1) resides in a nursing facility or another medical institution; and
- (2) has a spouse who does not reside in a nursing facility or



1 another medical institution;  
 2 the total cash value of money, stock, bonds, and life insurance that may  
 3 be owned by the couple to be eligible for the program is determined  
 4 under IC 12-15-2-24.

5 SECTION 4. IC 12-15-3-2 IS AMENDED TO READ AS  
 6 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) **Except as**  
 7 **provided in section 7 of this chapter**, if the parent of an applicant for  
 8 or a recipient of assistance to the blind or disabled who is less than  
 9 eighteen (18) years of age owns money, stock, bonds, and life  
 10 insurance whose total cash value is more than one thousand five  
 11 hundred dollars (\$1,500), the amount of the excess shall be added to  
 12 the total cash value of money, stock, bonds, and life insurance owned  
 13 by the applicant or recipient to determine the recipient's eligibility for  
 14 Medicaid under section 1 of this chapter.

15 (b) However, a Holocaust victim's settlement payment received by  
 16 the parent of an applicant for or a recipient of assistance may not be  
 17 added to the total cash value of money, stock, bonds, and life insurance  
 18 owned by the applicant or recipient to determine the recipient's  
 19 eligibility for Medicaid under section 1 of this chapter.

20 SECTION 5. IC 12-15-3-3 IS AMENDED TO READ AS  
 21 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. **Except as provided**  
 22 **in section 7 of this chapter**, if the parents of an applicant for or a  
 23 recipient of assistance to the blind or disabled who is less than eighteen  
 24 (18) years of age own money, stock, bonds, and life insurance whose  
 25 total cash value is more than two thousand two hundred fifty dollars  
 26 (\$2,250), the amount of the excess shall be added to the total cash  
 27 value of money, stock, bonds, and life insurance owned by the  
 28 applicant or recipient to determine the recipient's eligibility for  
 29 Medicaid under section 1 of this chapter.

30 SECTION 6. IC 12-15-3-5 IS AMENDED TO READ AS  
 31 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. **Except as provided**  
 32 **in section 7 of this chapter**, the office may set the total cash value of  
 33 money, stock, bonds, and life insurance that an applicant for or a  
 34 recipient of Medicaid may own without being ineligible for Medicaid  
 35 in cases not described in section 1 of this chapter.

36 SECTION 7. IC 12-15-3-7 IS ADDED TO THE INDIANA CODE  
 37 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 38 1, 2006]: Sec. 7. (a) **As used in this section, "value" includes the**  
 39 **following:**

40 (1) **The face value of a life insurance policy.**

41 (2) **The cash value of a life insurance policy.**

42 (b) **The value of a life insurance policy owned by an applicant or**  
 43 **a recipient may not be considered as a resource in determining the**  
 44 **applicant's or recipient's eligibility for Medicaid if the applicant or**  
 45 **recipient:**

46 (1) **makes an irrevocable election to name the state as the**



- 1           **beneficiary of the life insurance policy; or**
- 2           **(2) assigns the life insurance policy to the state.**
- 3           **(c) The state has an insurable interest in an applicant or a**
- 4           **recipient who names the state as the beneficiary of a life insurance**
- 5           **policy or assigns a life insurance policy to the state as described in**
- 6           **this section.**

